

# ***City of Argonia, Kansas***

## **Annual Financial Report**

*December 31, 2010*

### *Governing Body*

Alan Brundage, Mayor  
Mary Beth Bookless  
Bob Burns  
Ron Kenney  
Natalie Kollmeyer  
Joyce Reynolds

### *City Clerk*

Janet Etheridge

### *City Treasurer*

Richelle Green

### *Independent Auditor*

Kenneth L Cooper Jr CPA, Chtd  
Certified Public Accountant  
*Wellington, Kansas*

***City of Argonia, Kansas***  
**Statutory Basis Financial Statements**  
*Year Ended December 31, 2010*

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**KENNETH L COOPER JR CPA, CHTD**  
*Certified Public Accountant*

Independent Auditor's Report

To the Honorable Mayor and City Council  
City of Argonia  
Argonia, Kansas

I have audited the accompanying primary government financial statements of the City of Argonia, Kansas, as of and for the year ended December 31, 2010, and the individual fund statements for the years ended December 31, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The financial statements do not include financial data for the City's discretely presented component unit. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles, the cash and unencumbered cash, revenues received and expenditures incurred by the aggregate discretely presented component units have been omitted from these statements, and although not reasonably determinable, are presumed to be material.

As described more fully in Note 1, the City has prepared these financial statements using accounting practices prescribed by the State of Kansas that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In my opinion, because of the effects of the matters discussed in the preceding two paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2010, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

In my opinion, the primary government financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Argonia, Kansas, as of December 31, 2010, and the revenues it received and expenditures it incurred for the years ended December 31, 2010 and 2009 (individual funds only) on the basis of accounting described in Note 1.

  
Certified Public Accountant

August 29, 2011

***City of Argonia, Kansas***  
**Summary of Cash Receipts, Expenditures and Unencumbered Cash**  
*For the Year Ended December 31, 2010*

	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances/ Accounts Pay.	Ending Cash Balance
<u>Funds</u>						
General	\$ 104,455	\$ 191,914	\$ 225,212	\$ 71,156	\$ 34,079	\$ 105,235
Special Revenue Funds:						
Special Highway	31,889	12,622	-	44,511		44,511
Equipment Reserve	93,368	20,000	-	113,368	-	113,368
Vera M Linn Cemetery						
Memorial Fund	70,054	1,224	1,224	70,054	-	70,054
Park Trust	5,549	6,067	6,205	5,411	526	5,937
Cemetery Building	2,302	10	-	2,312	-	2,312
Debt Service Funds:						
Bond & Interest	22,119	36,753	36,819	22,053	-	22,053
Capital Project Funds:						
Capital Improvements	24,178	40,000	-	64,178	-	64,178
Enterprise Funds:						
Water and Sewer Utility	149,851	182,109	246,788	85,172	5,787	90,959
Gas Utility	67,648	224,419	228,313	63,754	12,673	76,427
Ambulance	26,962	23,333	28,785	21,510	718	22,228
Cemetery	4,576	10,724	4,249	11,051	134	11,185
Solid Waste Utility	30,839	45,193	68,057	7,975	3,047	11,022
Total primary government	<u>\$ 633,789</u>	<u>\$ 794,368</u>	<u>\$ 845,652</u>	<u>\$ 582,505</u>	<u>\$ 56,964</u>	<u>\$ 639,469</u>

***City of Argonia, Kansas***  
**Summary of Cash Receipts, Cash Disbursements and Unencumbered Cash**  
*For the Year Ended December 31, 2010*

Composition of Cash Balance:

Cash on hand, city Clerk	\$ 150
Cash in checking account:	
Farmers & Merchants State Bank, Argonia	
Operating account	439,808
Cemetery Building account	2,312

Certificates of Deposit

Farmers & Merchants State Bank, Argonia:

	<u>Rate</u>	<u>Maturity</u>	
CD #22718	2.000%	03/18/2011	5,000
CD #22719	2.000%	03/18/2011	5,000
CD #7731	1.500%	03/10/2013	5,000
CD #7733	1.500%	03/10/2013	5,000
CD #22173	2.650%	04/03/2011	2,200
CD #6886	3.059%	12/01/2012	5,000
CD #21830	2.500%	01/24/2011	100,000
CD #23588	2.000%	03/14/2011	70,000
Total Certificates of Deposit			<u>197,200</u>

Total primary government	<u>\$ 639,470</u>
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***City of Argonia, Kansas***  
**Summary of Expenditures--Actual and Budget**  
*(Budgeted Funds Only)*  
*For the Year Ended December 31, 2010*

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Favorable/ (Unfavorable)</u>
General	\$ 294,000	\$ -	\$ 294,000	\$ 225,212	\$ 68,788
Special Revenue Funds					
Special Highway	-	-	-	-	-
Vera M Linn Cemetery					
Memorial Fund	5,000	-	5,000	1,224	3,776
Park Trust	16,000	-	16,000	6,205	9,795
Debt Service Funds:					
Bond & Interest	54,518	-	54,518	36,819	17,699
Enterprise Funds:					
Water and Sewer Utility	268,500	-	268,500	246,788	21,712
Gas Utility	356,400	-	356,400	228,313	128,087
Ambulance	35,000	-	35,000	28,785	6,215
Cemetery	21,700	-	21,700	4,249	17,451
Solid Waste Utility	80,000	-	80,000	68,057	11,943
Total primary government	<u>\$ 1,131,118</u>	<u>\$ -</u>	<u>\$ 1,131,118</u>	<u>\$ 845,652</u>	<u>\$ 285,466</u>

*See accompanying notes.*

***City of Argonia, Kansas***  
**General Fund**

**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget**

*Years Ended December 31, 2010 and 2009*

		<u>2010</u>		
	<u>2009</u>	<u>Actual</u>	<u>Budget</u>	Variance- Favorable/ (Unfavorable)
<u>Cash Receipts and Transfers</u>				
Taxes and Shared Revenue:				
Ad valorem property tax	\$ 92,976	\$ 96,749	\$ 92,695	\$ 4,054
Delinquent taxes	-	3,464	1,600	1,864
Motor vehicle tax	20,573	19,114	23,232	(4,118)
Recreational vehicle & 16/20M tax	629	692	904	(212)
Special assessments	-	-	-	-
Local sales tax	29,585	25,882	30,000	(4,118)
Franchise taxes	20,616	18,636	23,000	(4,364)
Sumner County Road & Bridge	6,000	6,000	6,000	-
Licenses, fines and permits:				
Licenses and permits	724	1,066	750	316
Fines and court fees	1,546	1,378	400	978
Interest earnings	3,977	3,560		3,560
Other revenues:				
Swimming pool revenue	13,870	13,299	12,000	1,299
Miscellaneous revenues	4,222	2,047	-	2,047
Other grants	-	-		-
Streets & parks	100	27		27
Operating transfers in	-	-	10,000	(10,000)
Total receipts and operating transfers	<u>194,818</u>	<u>191,914</u>	<u>200,581</u>	<u>(8,667)</u>

*See accompanying notes.*

**City of Argonia, Kansas**  
**General Fund**

Statement 3

**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget**

*Years Ended December 31, 2010 and 2009*

		2010		
	2009			Variance-
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Favorable/ (Unfavorable)
<u>Expenditures and Transfers Subject to Budget</u>				
Administration				
Personal services	\$ 31,208	\$ 31,985	\$ 31,000	\$ (985)
Employee benefits	6,851	8,758	7,400	(1,358)
Contractual	10,906	13,938	9,000	(4,938)
Commodities	2,520	2,552	5,000	2,448
Capital outlay	-	1,284	1,000	(284)
Police				
Personal services	35,213	39,947	45,500	5,553
Employee benefits	4,445	7,481	5,500	(1,981)
Contractual	7,209	8,436	8,000	(436)
Commodities	6,452	6,105	11,000	4,895
Capital outlay	1,704	7,341	13,500	6,159
Fire				
Contractual	4,791	5,311	-	(5,311)
Commodities	13	1,164	2,000	836
Capital outlay	1,265	-	4,500	4,500
Memorial Expense	-	1,192	-	(1,192)
Street and Park				
Contractual	20,477	35,917	36,000	83
Commodities	11,729	13,914	15,000	1,086
Capital outlay	3,765	11,448	1,000	(10,448)
Pool				
Personal services	8,609	11,778	9,600	(2,178)
Employee benefits	-	1,134	500	(634)
Contractual	7,401	5,756	6,000	244
Commodities	12,508	9,771	12,000	2,229
Capital outlay	659	-	5,000	5,000
Non-departmental				-
Capital outlay-equipment	-	-	-	-
Operating transfers to Equipment Reserve	10,000	-	10,000	10,000
Operating transfers to Capital Improvement	-	-	55,500	55,500
Adjustment for qualifying budget credits	-	-	-	-
Total expenditures and transfers subject to budget	<u>\$ 187,725</u>	<u>\$ 225,212</u>	<u>\$ 294,000</u>	<u>\$ 68,788</u>
Revenue over (under) expenditures	\$ 7,093	\$ (33,298)		
Unencumbered cash balance, beginning	<u>97,362</u>	<u>104,455</u>		
Unencumbered cash balance, ending	<u>\$ 104,455</u>	<u>\$ 71,156</u>		

*See accompanying notes.*



**City of Argonia, Kansas**

Special Revenue Fund

**Special Highway Fund****Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2010 and 2009*

		<u>2010</u>		
	<u>2009</u>	<u>Actual</u>	<u>Budget</u>	Variance- Favorable/ (Unfavorable)
<u>Cash Receipts and Transfers</u>				
State payments	\$ 11,986	\$ 12,622	\$ 13,890	\$ (1,268)
				-
Total receipts and transfers	\$ 11,986	\$ 12,622	\$ 13,890	\$ (1,268)
<u>Expenditures and Transfers Subject to Budget</u>				
Contractual Services	\$ -	\$ -	\$ -	\$ -
Commodities	-	-	-	-
Capital outlay	21,032	-	-	-
Street Repair and Maint	10,000	-	-	-
Total expenditures and transfers subject to budget	\$ 31,032	\$ -	\$ -	\$ -
Revenue over (under) expenditures	\$ (19,046)	\$ 12,622		
Unencumbered cash balance, beginning	50,935	31,889		
Unencumbered cash balance, ending	\$ 31,889	\$ 44,511		

*See accompanying notes.*

***City of Argonia, Kansas***  
Special Revenue Fund  
**Equipment Reserve Fund**  
**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual**  
*Years Ended December 31, 2010 and 2009*

	2009 <u>Actual</u>	2010 <u>Actual</u>
<u>Cash Receipts and Transfers</u>		
Operating transfer from:		
General fund	\$ 10,000	\$ -
Ambulance Fund	10,000	-
Solid waste fund	<u>10,000</u>	<u>20,000</u>
 Total receipts and transfers	 <u>\$ 30,000</u>	 <u>\$ 20,000</u>
 <u>Expenditures and Transfers</u>		
Capital outlay:	\$ -	\$ -
Street Repair & Maintenance	<u>-</u>	<u>-</u>
 Total expenditures and transfers	 <u>\$ -</u>	 <u>\$ -</u>
 Revenue over (under) expenditures	 \$ 30,000	 \$ 20,000
 Unencumbered cash balance, beginning	 <u>63,368</u>	 <u>93,368</u>
 Unencumbered cash balance, ending	 <u>\$ 93,368</u>	 <u>\$ 113,368</u>

***City of Argonia, Kansas***  
Special Revenue Fund  
**Vera M. Linn Cemetery Memorial Fund**  
**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget**  
*Years Ended December 31, 2010 and 2009*

		<u>2010</u>		
	<u>2009</u>	<u>Actual</u>	<u>Budget</u>	Variance- Favorable/ (Unfavorable)
<u>Cash Receipts and Transfers</u>				
Interest	\$ 1,834	\$ 1,224	\$ 5,000	\$ (3,776)
<u>Expenditures and Transfers</u>				
Cemetery Maintenance	\$ -	\$ -	\$ -	\$ -
Operating transfer to:				
Cemetery Fund	1,834	1,224	5,000	3,776
Total expenditures and transfers	\$ 1,834	\$ 1,224	\$ 5,000	\$ 3,776
Revenue over (under) expenditures	\$ -	\$ -		
Unencumbered cash balance, beginning	70,054	70,054		
Unencumbered cash balance, ending	\$ 70,054	\$ 70,054		

*See accompanying notes.*

**City of Argonia, Kansas**

## Special Revenue Fund

**Park Trust Fund****Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2010 and 2009*

		2010		Variance-
	2009	Actual	Budget	Favorable/ (Unfavorable)
	<u>Actual</u>			
<u>Cash Receipts and Transfers</u>				
Contributions	\$ -	\$ 245	\$ 2,000.00	\$ (1,755)
Fees	6,467	5,752	10,000	(4,248)
FEMA Grant	3,167	-	-	-
Other	<u>-</u>	<u>70</u>	<u>-</u>	<u>70</u>
Total receipts and transfers	<u>\$ 9,634</u>	<u>\$ 6,067</u>	<u>\$ 12,000</u>	<u>\$ (5,933)</u>
<u>Expenditures and Transfers</u>				
Salaries	\$ 2,218	\$ -	\$ -	\$ -
Employee Benefits	568	-	-	-
Contractual services	3,681	3,040	6,000	2,960
Commodities	4,618	3,105	7,000	3,895
Capital Outlay	-	-	3,000	3,000
Other	<u>-</u>	<u>60</u>	<u>-</u>	<u>(60)</u>
Total expenditures and transfers	<u>\$ 11,085</u>	<u>\$ 6,205</u>	<u>\$ 16,000</u>	<u>\$ 9,795</u>
Revenue over (under) expenditures	\$ (1,451)	\$ (138)		
Unencumbered cash balance, beginning	<u>7,000</u>	<u>5,549</u>		
Unencumbered cash balance, ending	<u>\$ 5,549</u>	<u>\$ 5,411</u>		

*See accompanying notes*

***City of Argonia, Kansas***  
Special Revenue Fund  
**Cemetery Building Fund**  
**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget**  
*Years Ended December 31, 2010 and 2009*

	2009	2010
<u>Cash Receipts and Transfers</u>	<u>Actual</u>	<u>Actual</u>
Contributions	\$ -	\$ -
Interest	<u>12</u>	<u>10</u>
 Total receipts and transfers	 <u>\$ 12</u>	 <u>\$ 10</u>
 <u>Expenditures and Transfers</u>		
Supplies, repairs, equipment	<u>\$ -</u>	<u>\$ -</u>
 Total expenditures and transfers	 <u>\$ -</u>	 <u>\$ -</u>
 Revenue over (under) expenditures	 \$ 12	 \$ 10
Unencumbered cash balance, beginning	<u>2,290</u>	<u>2,302</u>
Unencumbered cash balance, ending	<u>\$ 2,302</u>	<u>\$ 2,312</u>

*See accompanying notes.*

***City of Argonia, Kansas***

Debt Service Fund

**Bond & Interest Fund****Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2010 and 2009*

		2010		
	2009			Variance-
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Favorable/ (Unfavorable)
<b><u>Cash Receipts and Transfers</u></b>				
Ad valorem property tax	\$ 15,130	\$ 13,463	\$ 14,461	\$ (998)
Less: Revitalization rebates	(729)	-	-	-
Delinquent taxes	-	633	-	633
Motor vehicle tax	3,580	2,568	3,092	(524)
Recreational vehicle & 16/20M tax	224	89	127	(38)
Transfer from Water & Sewer fund	<u>22,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total receipts and transfers	<u>\$ 40,205</u>	<u>\$ 36,753</u>	<u>\$ 37,680</u>	<u>\$ (927)</u>
<b><u>Expenditures and Transfers</u></b>				
Interest on bonds	\$ 17,398	\$ 20,000	\$ 20,000	\$ -
Principal on bonds	20,000	16,818	16,818	-
Fees	1	1	200	199
Cash basis reserve	<u>-</u>	<u>-</u>	<u>17,500</u>	<u>17,500</u>
Total expenditures and transfers	<u>\$ 37,399</u>	<u>\$ 36,819</u>	<u>\$ 54,518</u>	<u>\$ 17,699</u>
Revenue over (under) expenditures	\$ 2,807	\$ (66)		
Unencumbered cash balance, beginning	<u>19,312</u>	<u>22,119</u>		
Unencumbered cash balance, ending	<u>\$ 22,119</u>	<u>\$ 22,053</u>		

See accompanying notes.

***City of Argonia, Kansas***  
Special Revenue Fund  
**Capital Improvement Fund**  
**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual**  
*Years Ended December 31, 2010 and 2009*

	2009 <u>Actual</u>	2010 <u>Actual</u>
<u>Cash Receipts and Transfers</u>		
Operating transfer from:		
Water and sewer fund	\$ -	\$ 30,000
Gas fund	-	-
General fund	-	-
Solid waste fund	<u>18,000</u>	<u>10,000</u>
 Total receipts and transfers	 <u>\$ 18,000</u>	 <u>\$ 40,000</u>
 <u>Expenditures and Transfers</u>		
Capital improvements	<u>\$ -</u>	<u>\$ -</u>
 Total expenditures and transfers	 <u>\$ -</u>	 <u>\$ -</u>
 Revenue over (under) expenditures	 \$ 18,000	 \$ 40,000
 Unencumbered cash balance, beginning	 <u>6,178</u>	 <u>24,178</u>
 Unencumbered cash balance, ending	 <u>\$ 24,178</u>	 <u>\$ 64,178</u>

*See accompanying notes.*

***City of Argonia, Kansas***  
Enterprise Funds  
**Water and Sewer Utility Fund**  
**Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget**  
*Years Ended December 31, 2010 and 2009*

		2010		
	2009			Variance-
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Favorable/ (Unfavorable)
<u>Cash Receipts and Transfers</u>				
Water sales	\$ 116,283	\$ 123,546	\$ 165,000	\$ (41,454)
Sewer sales	41,287	51,382	42,500	8,882
Other revenue	2,328	7,181	500	6,681
Interest earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts and transfers	<u>\$ 159,898</u>	<u>\$ 182,109</u>	<u>\$ 208,000</u>	<u>\$ (25,891)</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Administration				
Personal services	\$ 6,653	\$ 6,816	\$ 6,700	\$ (116)
Employee benefits	3,118	3,635	3,100	(535)
Contractual services	4,659	6,118	5,000	(1,118)
Commodities	1,709	2,010	2,000	(10)
Capital outlay	-	-	-	-
Water Utility Deposit Refund	150	100	200	100
Production and distribution				
Personal services	35,580	38,347	40,000	1,653
Employee benefits	7,696	10,161	7,500	(2,661)
Contractual services	23,549	90,122	27,000	(63,122)
Commodities	7,636	14,504	17,000	2,496
Capital outlay	26,215	24,975	80,000	55,025
Operating transfers				
Capital improvement fund	-	30,000	60,000	30,000
Bond and Interest fund	<u>22,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total expenditures and transfers subject to budget	<u>\$ 138,965</u>	<u>\$ 246,788</u>	<u>\$ 268,500</u>	<u>\$ 21,712</u>
Revenue over (under) expenditures	\$ 20,933	\$ (64,679)		
Unencumbered cash balance, beginning	<u>128,918</u>	<u>149,851</u>		
Unencumbered cash balance, ending	<u>\$ 149,851</u>	<u>\$ 85,172</u>		

See accompanying notes.



**City of Argonia, Kansas**

## Enterprise Funds

**Gas Utility Fund****Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2010 and 2009*

		2010		
	2009			Variance-
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Favorable/ (Unfavorable)
<u>Cash Receipts and Transfers</u>				
Gas sales	\$ 225,345	\$ 219,372	\$ 300,000	\$ (80,628)
Refund from gas company	-	-	-	-
Deposits	2,375	4,080	1,500	
Other revenue	1,058	760	-	760
Interest earnings	435	207	500	(293)
Total receipts and transfers	<u>\$ 229,213</u>	<u>\$ 224,419</u>	<u>\$ 302,000</u>	<u>\$ (80,161)</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Administration				
Personal services	\$ 6,653	\$ 6,816	\$ 6,700	\$ (116)
Employee benefits	3,118	3,320	3,100	(220)
Contractual services	6,381	6,254	5,000	(1,254)
Commodities	1,983	2,180	1,500	(680)
Capital outlay	-	-	-	-
Distribution				
Personal services	35,580	38,347	40,000	1,653
Employee benefits	7,313	10,475	7,600	(2,875)
Contractual services	14,067	16,611	17,500	889
Commodities	7,761	8,401	9,000	599
Capital outlay	1,554	24,524	50,000	25,476
Gas Utility Deposit Refund	745	1,536	1,000	(536)
Gas purchases	110,466	109,849	215,000	105,151
Operating transfers				
General fund	-	-	-	-
Capital improvement fund	-	-	-	-
Equipment reserve fund	-	-	-	-
Total expenditures and transfers subject to budget	<u>\$ 195,621</u>	<u>\$ 228,313</u>	<u>\$ 356,400</u>	<u>\$ 128,087</u>
Revenue over (under) expenditures	\$ 33,592	\$ (3,894)		
Unencumbered cash balance, beginning	<u>34,056</u>	<u>67,648</u>		
Unencumbered cash balance, ending	<u>\$ 67,648</u>	<u>\$ 63,754</u>		

*See accompanying notes.*

***City of Argonia, Kansas***

Enterprise Funds

**Ambulance Fund****Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2010 and 2009*

		2010		
	2009			Variance-
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Favorable/ (Unfavorable)
<u>Cash Receipts and Transfers</u>				
Patient collections	\$ 22,649	\$ 16,188	\$ 16,000	\$ 188
State grant	-	-	-	-
Sumner County subsidy	11,913	6,702	10,000	(3,298)
Contributions	3,311	443	-	443
Refund of Insurance	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts and transfers	\$ 37,873	\$ 23,333	\$ 26,000	\$ (2,667)
<u>Expenditures and Transfers Subject to Budget</u>				
Contractual services	\$ 10,771	\$ 11,399	\$ 10,000	\$ (1,399)
Commodities	9,598	11,886	10,000	(1,886)
Capital outlay	-	-	10,000	10,000
On Call	5,340	3,500	5,000	1,500
Transfer to Equipment Reserve	10,000	2,000	-	(2,000)
	<u>10,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Total expenditures and transfers subject to budget	\$ 35,709	\$ 28,785	\$ 35,000	\$ 8,215
Revenue over (under) expenditures	\$ 2,164	\$ (5,452)		
Unencumbered cash balance, beginning	<u>24,798</u>	<u>26,962</u>		
Unencumbered cash balance, ending	<u>\$ 26,962</u>	<u>\$ 21,510</u>		

*See accompanying notes.*

***City of Argonia, Kansas***

Enterprise Funds

**Cemetery Fund****Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2010 and 2009*

		2010		
	2009			Variance-
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Favorable/ (Unfavorable)
<u>Cash Receipts and Transfers</u>				
Sale of lots and services	\$ 6,100	\$ 3,800	\$ 5,500	\$ (1,700)
Farm income	1,604	4,171	3,000	1,171
Hangar lease	600	1,200	1,500	(300)
Other	379	200	-	200
Donations	25	100	2,500	(2,400)
Interest earnings	58	29	-	29
Operating Transfer from Vera Linn Endowment	<u>1,834</u>	<u>1,224</u>	<u>5,000</u>	<u>(3,776)</u>
Total receipts and transfers	<u>\$ 10,600</u>	<u>\$ 10,724</u>	<u>\$ 17,500</u>	<u>\$ (6,776)</u>
<u>Expenditures and Transfers Subject to Budget</u>				
Personal services	\$ 2,965	\$ -	\$ 9,000	\$ 9,000
Employee benefits	-	-	700	700
Contractual services	568	3,297	-	(3,297)
Commodities	2,218	952	6,000	5,048
Capital outlay	<u>2,153</u>	<u>-</u>	<u>6,000</u>	<u>6,000</u>
Total expenditures and transfers subject to budget	<u>\$ 7,904</u>	<u>\$ 4,249</u>	<u>\$ 21,700</u>	<u>\$ 17,451</u>
Revenue over (under) expenditures	\$ 2,696	\$ 6,475		
Unencumbered cash balance, beginning	<u>1,880</u>	<u>4,576</u>		
Unencumbered cash balance, ending	<u>\$ 4,576</u>	<u>\$ 11,051</u>		

See accompanying notes.

***City of Argonia, Kansas***

Enterprise Funds

**Solid Waste Fund****Statement of Cash Receipts and Expenditures (Statutory Basis)-Actual and Budget***Years Ended December 31, 2010 and 2009*

		<u>2010</u>		
	<u>2009</u>	<u>Actual</u>	<u>Budget</u>	Variance- Favorable/ (Unfavorable)
<u>Cash Receipts and Transfers</u>				
Trash pick up service	\$ 41,026	\$ 44,517	\$ 45,000	\$ (483)
Recycling income	795	676	-	676
Other	-	-	-	-
Interest earnings	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts and transfers	\$ 41,821	\$ 45,193	\$ 45,000	\$ 193
<u>Expenditures and Transfers Subject to Budget</u>				
Contractual services	\$ 36,409	\$ 37,596	\$ 40,000	\$ 2,404
Commodities	3,477	461	-	-
Capital outlay	-	-	-	-
Operating Transfer to General	-	-	-	-
Operating Transfer to Capital Improvement	18,000	10,000	20,000	10,000
Operating Transfer to Equip. Reserve	10,000	20,000	20,000	-
	<u>10,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total expenditures and transfers subject to budget	\$ 67,886	\$ 68,057	\$ 80,000	\$ 12,404
Revenue over (under) expenditures	\$ (26,065)	\$ (22,864)		
Unencumbered cash balance, beginning	<u>56,904</u>	<u>30,839</u>		
Unencumbered cash balance, ending	<u>\$ 30,839</u>	<u>\$ 7,975</u>		

See accompanying notes.

***City of Argonia, Kansas***  
**Notes to Financial Statements**  
*December 31, 2010*

**1. Summary of Significant Accounting Policies**

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas.

**Reporting Entity**

The City of Argonia is a municipal corporation operating under a Mayor-Council form of government. It provides the following services: Public Safety-Police, Volunteer Fire and Emergency Medical Services, Highways and Streets, Public Improvements, Utilities-Gas, Water, Sewer, Refuse, and General Administrative Services. The City receives funding from local, state, and Federal governmental sources and must comply with the restrictions of these funding sources. However, the City is not included in any other reporting entity since the Mayor and Council are elected by the public and have decision making authority.

Under Governmental Accounting Standards Board (GASB) Statement 14, the City has a component unit which under the statement would be included in the reporting entity. The public housing commission operates subsidized public housing and is governed by an appointed board of commissioners. The City has elected not to include the financial statements of the housing board in this report.

**Budgets**

Applicable Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless exempted by a specific statute), debt service funds and enterprise funds. All budgets are prepared utilizing the modified accrual basis further modified by the encumbrance method of accounting – that is, commitments evidenced by documents such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures.

The statutes provide for the following sequence and timetable in adoption of budgets:

- a. Preparation of budget for the succeeding calendar year on or before August 1<sup>st</sup>.
- b. Publication in local newspaper on or before August 5 of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
- d. Adoption of final budget on or before August 25<sup>th</sup>

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

***City of Argonia, Kansas***  
**Notes to Financial Statements**  
*December 31, 2010*

**1. Summary of Significant Accounting Policies (continued)**

Budgets (continued)

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using statutory basis of accounting as described below. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, trust funds, and the following special revenue funds – special law enforcement, municipal judge training, municipal equipment reserve and fire insurance fund.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by use of internal spending limits established by the governing body.

Reimbursements

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the budget has been adjusted when necessary to show compliance with the budget law.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

***City of Argonia, Kansas***  
**Notes to Financial Statements**  
*December 31, 2010*

**1. Summary of Significant Accounting Policies (continued)**

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported may not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

The City has passed a charter ordinance permanently exempting itself from reporting based on generally accepted accounting principles, instead choosing to report on this statutory basis of accounting, and also annually adopts a resolution exempting itself.

Cash Equivalents

Idle funds are invested in certificates of deposit and in a commercial bank money market fund. These cash equivalents are stated at cost, which approximates market value.

Cash balances in all funds are considered in determining the amount to be invested, and unless specifically designated, investment income should be apportioned to the various funds in the ratio of funds invested. In 2009 and 2010, investment income was primarily apportioned to the general fund, except for some interest allocated to three other funds.

Property Taxes and Other Receivables

In accordance with governing State statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities with the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year and property taxes are recognized when received.

***City of Argonia, Kansas***  
**Notes to Financial Statements**  
*December 31, 2010*

**1. Summary of Significant Accounting Policies (continued)**

Recognized state shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes. For revenue recognition purposes, amounts collected and held by the State on behalf of the City at year-end are not due and receivable until the ensuing year.

Federal and State grant aid is reported as revenue when the related reimbursable expenditures are incurred. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

Licenses, franchises, fees, fines, penalties, charges for services and other revenues are recorded when received in cash.

**Investments**

Investments, consisting entirely of certificates of deposit, are carried at cost, which approximates market value.

**General Fixed Assets**

The City does not record capital fixed assets, such as land, building and equipment, in the general fixed assets account group, as required by generally accepted accounting principles. The disbursements for the purchase of these assets are considered as expenditures and no record of the fixed assets is reflected in the financial statements.

**Special Assessments**

Projects financed in part by special assessments are financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City and are retired from the City's debt service fund. Further, state statutes permit the levying of additional general ad valorem property taxes in the City's debt service fund to finance delinquent special assessments receivable. Consequently, special assessments receivable are accounted for within the debt service fund. Special assessment taxes are levied over a ten or fifteen year period and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. The City had no special assessment bonds outstanding in 2009 or 2010.

**Lease Obligations**

Long-term leases are not generally capitalized unless the terms of the lease include an option to purchase at such a price the payments made on the lease clearly represent the purchase of an economic interest.



***City of Argonia, Kansas***  
**Notes to Financial Statements**  
*December 31, 2010*

**1. Summary of Significant Accounting Policies (continued)**

Compensated Absences

All employees earn vacation at the rate of five days after one year of service, ten days after two years of service and fifteen days after five years of employment. Unused vacation at each December 31<sup>st</sup> carries over to the next December 31<sup>st</sup>, then expires. Upon termination or resignation from service with the City, employees are entitled to payment for all accrued vacation earned prior to termination or resignation. All employees on permanent status earn personal leave at the rate of one calendar day per month with a 30-day maximum accumulation. Upon termination or resignation, no payment is made for any unused personal leave and one-half earned sick leave. There are no other post-employment benefits for employees.

Pension Plan

The City has established a defined contribution SIMPLE retirement plan as permitted and defined by IRS code and regulations. All employees who have earned at least \$5,000 in the previous two calendar years and expect to earn \$5,000 in the current year are eligible to participate. The IRS specifies the payment of employee and employer contributions.

Risk Management

The City generally covers its risk of loss with insurance coverage. There have not been any claims in the past three years in excess of the amount of insurance.

Other Post Employment Benefits

The City does not maintain a group health insurance plan for its employees or retirees, nor does it have any other post-employment benefits.

**2. Fund Descriptions**

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following types of funds comprise the financial activities of the City for the year 2010:

***City of Argonia, Kansas***  
**Notes to Financial Statements**  
*December 31, 2010*

**2. Fund Descriptions (continued)**

Governmental Funds

*General Fund* is used to account for all financial resources except those required to be accounted for in another fund.

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted, by law or administrative action, to expenditure for specified purposes.

*Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City.

*Capital Project Funds* are used to account for financial resources segregated for the acquisition of major capital facilities (other than those financed by enterprise funds).

*Enterprise Funds* are used account for operations that are financed and operated in the manner similar to private business enterprises - where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges - or where periodic determination of revenues collected, expenses paid and encumbered, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*Fiduciary Funds* are used to account for assets held by the City in a trustee capacity or as an agent for others. These include expendable trust funds, nonexpendable trust funds and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in the same manner as proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

***City of Argonia, Kansas***  
**Notes to Financial Statements**  
*December 31, 2010*

**3. Cash and Cash Equivalents**

**Deposits**

State law requires that the City deposit its funds in financial institutions that have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the bank's provide an acceptable rate of return. In addition, state law requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies which would limit concentration of credit or custodial credit risk. State law places no limit on the amount the City may deposit with any bank, as long as the deposits are adequately insured or secured. The City's deposits at year-end, consisting of checking and savings accounts, certificates of deposit and bank money market funds, had a carrying amount of \$641,176 all with one bank, constituting a concentration of credit risk. At December 31, 2010, the City had bank balances (before outstanding checks) and insurance and collateral coverage as follows:

	Farmers & Merchants			
		<u>State Bank</u>		
Insured		\$ 447,200		
Uninsured, collateral held by the				
City's agent in the City's name		<u>194,827</u>		
Total		<u>\$ 642,027</u>		

Uninsured deposits are collateralized by pledged securities held under joint custody receipts issued by third-party banks in the city's name. The pledged securities are held under a tri-party custodial agreement between the city, the pledging bank, and the independent third-party bank holding the pledged securities. All city deposits are considered the lowest risk custodial risk, Category 1.

The City is authorized by state law to invest in deposits of local financial institutions and, in certain instances, specified United States Treasury obligations and repurchase agreements.

***City of Argonia, Kansas***  
**Notes to Financial Statements**  
*December 31, 2010*

**4. Long-Term Debt**

<u>Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>
<b>General Obligation bonds</b>								
Series 2005 GO Water Distrib.Syst	2.3-4.5%	3/1/2005	500,000	9/1/2025	\$ 425,000	\$ -	\$ 20,000	\$ 405,000
<b>Capital Leases</b>								
Police Car					\$ 15,000		\$ 2,661	\$ 12,339
2000 Chevy Pickup					7,872	-	2,716	5,156
					\$ 22,872	\$ -	\$ 5,377	\$ 17,495
<b>Compensated Absences Payable</b>					\$ 4,277	\$ 3,247	\$ -	\$ 7,524
<b>Total Long Term Debt</b>					\$ 452,149	\$ 3,247	\$ 25,377	\$ 430,019

**Schedule of Maturity of Long-Term Debt**  
*December 31, 2010*

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016-2020</u>	<u>2021-2025</u>	<u>Totals</u>
<b>Principal</b>								
General obligation bonds	20,000	20,000	20,000	20,000	25,000	135,000	165,000	405,000
Pickup	2,881	2,275	-	-	-	-	-	5,156
Police Car	2,821	2,990	3,169	3,359	-	-	-	12,339
	<u>25,702</u>	<u>25,265</u>	<u>23,169</u>	<u>23,359</u>	<u>25,000</u>	<u>135,000</u>	<u>165,000</u>	<u>422,495</u>
<b>Interest</b>								
General obligation bonds	16,198	15,548	14,868	14,168	13,448	52,878	22,770	149,878
Pickup	227	56	-	-	-	-	-	283
Police Car	740	571	392	302	-	-	-	2,005
	<u>17,165</u>	<u>16,175</u>	<u>15,260</u>	<u>14,470</u>	<u>13,448</u>	<u>52,878</u>	<u>22,770</u>	<u>152,166</u>

**5. Pension Plan**

The City established a SIMPLE retirement plan July 1, 1997. A SIMPLE is a defined contribution plan under the Internal Revenue Code where employees may elect to reduce their salary and for 2010 contribute up to \$11,500 per year into the plan. The City chooses to match employee contributions up to a maximum of 3% of compensation or to contribute 2% for all eligible employees regardless of the employee's contribution. For 2010 and 2009 the City chose to match employee contributions up to 3% of compensation. Employer contributions were \$3,773 and \$5,126 in 2010 and 2009, respectively.

**6. Capital Projects Fund**

There were no capital projects under way during 2010.

***City of Argonia, Kansas***  
**Notes to Financial Statements**  
*December 31, 2010*

**7. Interfund Transfers**

Operating transfers in 2010 were:

Water & Sewer	Capital Improvement	30,000
Solid Waste	Capital Improvement	10,000
Solid Waste	Equipment Reserve	20,000
Water & Sewer	Bond & Interest	20,000
Vera Linn Memorial	Cemetery	1,224

**8. Contingencies**

Litigation

The City is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of these proceedings cannot be predicted, the City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City. There were no pending proceedings as of December 31, 2010.

Grant Program Involvement

In the normal course of operations, the City participates in various federal or state grant programs from year to year. The programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**9. Utility Improvement Projects in Progress**

Water Treatment Plant

In August of 2008, the City received notice from the Kansas Department of Health and Environment (KDHE) that its well water supply exceeded the maximum contaminant level for nitrate and arsenic. KDHE has directed the city that it must either join another community's water treatment project or start the construction of their own treatment facility. The expected cost of either option is expected to exceed \$1,000,000, which would require a significant increased in water rates.

***City of Argonia, Kansas***  
**Notes to Financial Statements**  
*December 31, 2010*

**9. Utility Improvement Projects in Progress (continued)**

**Wastewater Treatment Plant Improvements**

The City's current wastewater facility is experiencing capacity and operational problems. KDHE has issued a compliance order for the City to conduct a facility plan and develop a schedule of compliance to bring the lagoon facility to a level that meets the permit limits. This study has been completed and recommendations for improvements have been made. After an Inflow & Infiltration Evaluation, improvements to the system must be designed to address problems in the system. Although there is presently no engineer's cost estimate, it is expected that the cost will be substantial.

**10. Vera M. Linn Memorial Endowment**

During 1995, the City was notified that it was the beneficiary of a bequest from the Vera M. Linn Estate. The total bequest was \$69,685.16. The terms of the Last Will and Testament of Vera M. Linn state that funds be deposited in "...the perpetual care fund of Argonia Cemetery, Argonia, Kansas, and request that the income therefrom be used annually for Memorial Day flowers and the upkeep for the graves of the descendants of George Linn and Charles Ford in said Cemetery. " The City maintained the endowment as required in 2010.

**11. Compliance with Finance-Related Legal and Contractual Provisions**

- **Encumbrance Records and Record of Unencumbered Budget Balance** The clerk did not maintain the required encumbrance records, in accordance with K.S.A. 10-1117 and was therefore unable to maintain accounts required under K.S.A. 79-2934 showing the unencumbered budget balance of each fund, except at year end.
- **Treasurer's Fund Record** K.S.A. 10-1118 requires that the treasurer of every municipality keep records to show the amount of money in each fund. The Clerk at the City of Argonia maintains such records, but the Treasurer does not maintain independent fund records.
- **Encumbrance Records** K.S.A. 79-2934 provides that "the clerk shall open and keep an account of each fund showing the total amount appropriated for each fund and shall charge such appropriation with the amount of any indebtedness created at the time such indebtedness is incurred." The City's records show the amount of funds disbursed and remaining budget balance, but do not reflect encumbrances, with is what is meant by the "amount of indebtedness created at the time such indebtedness is incurred".